

COFFEY COUNTY FIRE DISTRICT NO. 1
FINANCIAL STATEMENT
For The Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Coffey County Fire District No. 1
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Fire District No. 1, Burlington, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In

Board of Trustees
Coffey County Fire District No. 1

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Coffey County Fire District No. 1 to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Fire District No. 1 as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

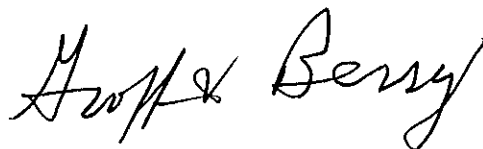
Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Coffey County Fire District No. 1 as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2012 financial statement as a whole. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2012 financial statement. Such information is the responsibility of management and the 2012 supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 financial statement or to the 2012 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 financial statement as a whole.

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget, are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated October 26, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas department of Administration, Office of Management and Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.



August 12, 2013

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2012

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:		Ending Cash Balance
					Outstanding Encumbrances and Accounts Payable		
General fund	\$ 322,557	\$ 789,367	\$ 774,584	\$ 337,340	\$ 17,962	\$	\$ 355,302
Special revenue fund:							
Capital outlay	<u>740,214</u>	<u>60,182</u>	<u>-</u>	<u>800,396</u>	<u>-</u>		<u>800,396</u>
	<u>\$ 1,062,771</u>	<u>\$ 849,549</u>	<u>\$ 774,584</u>	<u>\$ 1,137,736</u>	<u>\$ 17,962</u>		<u>\$ 1,155,698</u>
Composition of cash:							
First National Bank of Kansas,						\$ 21,956	(12,381)
Burlington, Kansas:						<u>34,337</u>	221,078
Checking account							750,323
Less: outstanding warrants							
Money market account							
Money market account							
The Farmers State Bank,							196,578
Aliceville, Kansas:							
Certificates of deposit							<u>100</u>
Petty cash							<u>\$ 1,155,698</u>
Total composition of cash							

The notes to the financial statement are an integral part of this statement.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENT
For the Year Ended December 31, 2012
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

Coffey County Fire District No. 1, Coffey County, Kansas, was organized by resolution of the Coffey County Commissioners on May 30, 1989, in accordance with K.S.A. 19-3605, et seq. The District shall consist of all of Coffey County excepting that part lying within Lyon County Fire District No. 5, but including specifically all cities within the County.

The District is governed by a five-member Board of Trustees appointed by the County Commissioners, who serve at the pleasure of the Commission. The District receives funding from Coffey County. This financial statement presents the Coffey County Fire District No. 1 (the primary government) only since it has no component units or other entities requiring inclusion.

(b) KMAAG Regulatory Basis of Presentation Fund Definitions

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund - used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

(c) Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year 2012.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for Capital Project Funds, Fiduciary Funds, and the following special revenue fund: Capital Outlay Fund.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Budgetary Information (Continued)

Spending in funds, which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Compliance with Kansas Cash Basis Law

No violations.

(b) Compliance with Kansas Budget Law

No violations.

(c) Compliance with Kansas Depository Security Law

No violations.

3 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012
(Continued)

3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the District's carrying amount of deposits was \$ 1,155,598 and the bank balance was \$ 1,189,935. The bank balance was held by two banks resulting in a concentration of credit risk of the bank balance; \$ 468,534 was covered by federal deposit insurance and \$ 721,401 was collateralized with securities held by the pledging bank's agents on a custody receipt naming the District.

4 - PENSION COSTS AND EMPLOYEE BENEFITS

(a) Defined Benefit Pension Plan

Plan description. The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2012 was 7.74%. (Included in this rate is the contribution for Group Death and Disability Insurance of 1.0% from April 1, 2011 through June 30, 2011). The District employer contributions to KPERS for the year ending December 31, 2012 and 2011 were \$ 5,946 and \$ 4,486, respectively, equal to the regulatory required contributions for each year as set forth by the legislature.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012
(Continued)

4 - PENSION COSTS AND EMPLOYEE BENEFITS (Continued)

(b) Vacation and Sick Pay

The Fire District's sick leave policy allows a specified number of sick days per month, with no maximum accumulation. Unused sick leave is not paid upon employment termination. The District's vacation policy allows a specified number of days vacation time per year, based on length of service. Vacation days must be used in the period earned. Unused vacation time is paid upon employment termination.

5 - ECONOMIC DEPENDENCY

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County Fire District No. 1. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for in excess of 90% of the County's total assessed valuation.

6 - OPERATING TRANSFERS

The District made the following operating transfers during 2012. The transfers were approved by the Board of Trustees.

	<u>From</u>	<u>To</u>
General Fund	\$ 60,182	\$ -
Capital Outlay Fund	-	60,182

7 - SUBSEQUENT EVENTS

Management has reviewed subsequent events through August 12, 2013.

COFFEY COUNTY FIRE DISTRICT NO. 1
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, KansasSUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
(BUDGETED FUNDS ONLY)
For the Year Ended December 31, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General fund	\$ <u>815,830</u>	\$ <u>774,584</u>	\$ <u>41,246</u>

See Independent Auditor's Report.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Favorable (Unfavorable)
		Actual	Budget	
<u>General Fund</u>				
Cash receipts:				
Appropriation from Coffey County	\$ 780,830	\$ 780,830	\$ 780,830	\$ -
Interest on idle funds	3,617	4,921	-	4,921
Sale of property	-	-	-	-
Reimbursed expense	-	-	-	-
Miscellaneous	-	3,616	-	3,616
Total cash receipts	<u>784,447</u>	<u>789,367</u>	<u>\$ 780,830</u>	<u>\$ 8,537</u>
Expenditures and transfers:				
Personal services	104,292	108,320	\$ 98,200	\$ (10,120)
Contractual services	324,708	310,105	394,980	84,875
Commodities	91,622	77,419	182,380	104,961
Capital outlay	71,133	218,558	140,270	(78,288)
Transfer to capital outlay	<u>162,721</u>	<u>60,182</u>	<u>-</u>	<u>(60,182)</u>
Total expenditures and transfers	<u>754,476</u>	<u>774,584</u>	<u>\$ 815,830</u>	<u>\$ 41,246</u>
Receipts over (under) expenditures and transfers	29,971	14,783		
Unencumbered cash, January 1	<u>292,586</u>	<u>322,557</u>		
Unencumbered cash, December 31	<u>\$ 322,557</u>	<u>\$ 337,340</u>		

See Independent Auditor's Report.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Capital Outlay Fund</u>		
Transfers:		
Transfer from general fund	\$ 162,721	\$ 60,182
Expenditures:		
Capital outlay	<u> -</u>	<u> -</u>
Transfers over (under) expenditures	162,721	60,182
Unencumbered cash, January 1	<u>577,493</u>	<u>740,214</u>
Unencumbered cash, December 31	\$ <u>740,214</u>	\$ <u>800,396</u>

See Independent Auditor's Report.